



STATE OF WISCONSIN
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CORRESPONDENCE MEMORANDUM

DATE: October 5, 2004
TO: Wisconsin Deferred Compensation Board
FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program
SUBJECT: T. Rowe Price Redemption Fee

This memo explains changes to the redemption fee policy of T. Rowe Price funds, including T. Rowe Price International Stock Fund. T. Rowe Price International Stock Fund is one of the Wisconsin Deferred Compensation (WDC) Program's core investment options for participants seeking exposure to the foreign stock market. The Investment Committee has recommended that the Board remove and replace T. Rowe Price International Stock Fund.

A redemption fee is a charge to an investor who sells shares of a mutual fund within a designated holding period specified by the fund. Redemption fees are intended to protect long-term investors by diminishing the appeal of short term or excessive trading.

Previously, participant-directed retirement plan accounts such as those held by WDC participants were exempt from all T. Rowe Price redemption fees. However, T. Rowe Price recently announced that they would be eliminating this exemption. Beginning January 1, 2005, T. Rowe Price will impose a 2% redemption fee and a 90-day holding period on the T. Rowe Price International Stock Fund. Redemption fees will be paid to fund to offset transaction expenses for the fund only.

Staff requested an exemption to this policy for WDC participants in light of the fact that the fund may be removed from the WDC core investment spectrum, but T. Rowe Price did not grant an exemption.

After January 1, 2005, when a WDC participant sells shares of T. Rowe Price International Stock, T. Rowe Price will use the "first-in, first-out" method to determine the holding period for the shares sold. Under this method, the date of redemption or exchange will be compared with the earliest purchase date of shares held in the account. A redemption fee will be charged on shares sold before the end of the 90-day holding period. If shares are redeemed after the end of the holding period, they will not be subject to the redemption fee.

The T. Rowe Price redemption fee policy includes a grandfathering provision: only shares purchased on or after January 1, 2005, will be considered for redemption fees. Contributions (deferrals), withdrawals for hardships, death distributions, domestic relations orders, and systematic auto-rebalancing are exempt from the redemption fee.

Staff recommends that the Board direct staff to inform WDC participants of the T. Rowe Price redemption fee via a special mailing to all participants at a cost of approximately \$21,800, as well as including the new policy on this on the WDC Web site and in an article in the January 2005 *Money Talks*.

Attachments

Reviewed and approved by Pam Henning, Office of Strategic Services

Signature

Date